

# ENVIRONMENTAL PROTECTION

## OVERVIEW

The California Environmental Protection Agency (CalEPA) oversees and coordinates the environmental regulatory activities of the following boards, departments, and offices:

- Air Resources Board (ARB)
- Integrated Waste Management Board (IWMB)
- Department of Pesticide Regulation (DPR)
- State Water Resources Control Board (SWRCB)
- Department of Toxic Substances Control (DTSC)
- Office of Environmental Health Hazard Assessment (OEHHA)

A total of \$1.21 billion (\$86.1 million General Fund) is proposed for the agency's programs. This represents a decrease in overall funding of \$267.8 million (22 percent) over the last two years.

Significant reductions to General Fund support for Cal EPA have occurred over the last two years. Special Fund support has slowly increased with the various departments looking user fees and polluter fees for alternative revenue sources. However, special fund support has not been able to stem the significant decrease in General Fund funding to Cal EPA programs.

<b>Summary of Expenditures</b> (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$158,105	\$86,142	-\$71,963	-45.5
Special Funds	654,171	685,552	31,381	4.8
Selected Bond Funds	576,987	271,871	<b>-305,116</b>	-52.9
Federal Funds	167,086	167,116	30	0.0
<b>Total</b>	<b>\$1,556,349</b>	<b>\$1,210,681</b>	<b>-\$345,668</b>	<b>-22.2</b>

While the state protects the environment through the work of the above departments, the Office of the Secretary for Environmental Protection received minimal reductions which appear reasonable. This office will not be discussed, however significant reductions or fiscal issues were proposed to the budgets of the ARB, IWMB, DPR, SWRCB, DTSC, and OEHHA that warrant discussion.

## 3900 Air Resources Board

The Air Resource Board is responsible for protecting air quality in California. Specifically, the board monitors ambient air quality standards, administers air pollution studies, evaluates regulations adopted by the United States Environmental Protection Agency, and administers programs to maintain California's air quality standards.

The budget proposes total expenditures of \$152.6 million (\$10.4 million General Fund), an increase of \$2.2 million (1.4 percent) from the current-year budget. Despite the increase, General Fund support for the Air Resources Board has dropped dramatically with support shifted to the Air Pollution Control Fund (see **Highlights** section below).

<b>Summary of Expenditures</b> (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$23,887	\$10,416	-\$13,471	-56.4
Motor Vehicle Account	62,335	63,498	1,163	1.9
Air Pollution Control Fund	11,529	28,110	16,581	143.8
Other Funds	11,613	11,672	59	0.5
Federal Trust Fund	10,810	11,017	207	1.9
Reimbursements	5,261	4,886	-375	-7.1
Selected Bond Funds	25,000	23,000	-2,000	-8.0
<b>Total</b>	<b>\$150,435</b>	<b>\$152,599</b>	<b>\$2,164</b>	<b>1.4</b>

### **Highlights**

**Stationary Source Fees.** The budget proposes to increase Stationary Source Fees by shifting \$10 million of General Fund support for the program to the Air Pollution Control Account. As part of the polluter pays principle, the proposal seeks remove the cap of \$3 million in total fees collected and expand the scope of those under the fee structure to include manufacturers of consumer products and architectural coatings. As a result of the proposed fee increase, the board's stationary source program will receive approximately 1/3 of its revenue from the regulated community.

The Legislature recently approved this fee increase through AB 10X (Oropeza) during the Mid-Year Budget Revision process. This allows sufficient time for the ARB to develop and implement a new fee structure in time for FY 2003-04. However at the time of printing, the Governor had yet to sign the bill. If the Governor fails to sign AB 10X, the Legislature should propose the fee increase in the budget year.

**General Fund Reductions.** The budget proposes a \$2.1 million reduction and 17 positions for various stationary source programs including: source testing, enforcement, and compliance; air quality emissions inventory; community health; permit coordination and review; and engineering and quality management. The stationary source program already received reductions of \$4.4 million from the previous year.

**Mobile Source Greenhouse Gases.** The budget proposes \$100,000 from the Motor Vehicle Account to develop and adopt regulations to reduce mobile source greenhouse gases.

## **3910 Integrated Waste Management Board**

The Integrated Waste Management Board's (IWMB) mission is to promote source reduction, recycling, composting, and environmentally safe transformation as alternatives to the disposal of solid waste at landfills. The board also protects the public health and safety through the regulation of existing and new solid wasteland disposal sites.

The budget proposes total expenditures of \$115.5 million (\$0 General Fund), a decrease of \$11.8 million (9.2 percent) from the current-year budget.

<b>Summary of Expenditures</b> (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$49	\$0	-\$49	-100.0
Integrated Waste Mgt. Account	42,452	43,995	1,543	3.6
CA Used Oil Recycling Fund	32,221	22,628	<b>-9,593</b>	-29.8
Recycling Market Development	8,168	8,134	-34	-0.4
Revolving Loan Account				
CA Tire Recycling Management Fund	30,969	31,489	520	1.7
Solid Waste Disposal Site Cleanup Fund	7,582	5,462	-2,120	-28.0
Other Funds & Reimbursements	5,689	3,658	-2,031	-35.7
Selected Bond Funds	151	152	1	0.7
<b>Total</b>	<b>\$127,281</b>	<b>\$115,518</b>	<b>-\$11,763</b>	<b>-9.2</b>

### Highlights

**Special Fund Loans.** The budget proposes a loan of \$2 million and \$15 million from Board's Integrated Waste Management Account and California Tire Recycling Management Fund respectively.

## 3930 Department of Pesticide Regulation

This Department of Pesticide Regulation (DPR) was created in 1991 as part of the California Environmental Protection Agency to protect the public health and the environment from unsafe exposures to pesticides. The department (1) evaluates the public health and environmental effects of pesticides; (2) regulates, monitors, and controls the use of pesticides in the state; (3) tests produce for pesticide residue levels; and (4) develops and promotes pest management practices that can reduce the problems associated with the use of pesticides. The department primarily is funded from taxes on the sale of pesticides in the state, various registration and licensing fees on persons who use or sell pesticides, and the General Fund. The department is located in Sacramento. The budget proposes total expenditures of \$53.3 million (\$100,000 General Fund), a decrease of \$1.1 million (2.1 percent) from the current-year budget.

<b>Summary of Expenditures</b> (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$12,795	\$1	-\$12,794	-100.0
Dept. of Pesticide Regulation Fund	\$37,861	\$49,794	11,933	31.5
Other Funds	\$914	\$869	-45	-4.9
Federal Trust Fund	\$2,383	\$2,160	-223	-9.4
Reimbursements	\$479	\$479	0	0.0
<b>Total</b>	<b>\$54,432</b>	<b>\$53,303</b>	<b>-\$1,129</b>	<b>-2.1</b>

### **Highlights**

**Mill Assessment Branch.** The budget proposes to redirect many positions and resources from various programs in DPR to create a new Mill Assessment Branch which would be responsible for maximizing collection, reporting, monitoring and compliance of the mill assessment program. DPR estimates that greater efficiencies from the consolidation will allow \$2 million in General Fund savings.

**General Fund Reductions.** The budget proposes to reduce \$2.8 million and 3.8 positions from the department's baseline budget. The several pesticide monitoring and enforcement programs are effected by this proposal including Pest Management Alliance Grants, Air Program, Surface Water Program, Marketplace Surveillance Residue Program, and permitting and enforcement programs.

### **Issues**

**Mill Assessment Fees and Pesticide Licensing/Examination Fees.** The Governor's budget proposes shifting \$8.6 million from the General Fund to the Department of Pesticide Regulation Fund (DPRF) by increasing pesticide mill assessment fees and pesticide licensing and examination fees.

The mill assessment is currently set at a rate of 17.5 mills (one mill is equivalent to \$0.001 for each dollar of pesticide sold in the state). Also, a smaller amount of funds are generated through fees on pesticide registration, licensing and examination of pesticide dealers. In the current year, the DPRF accounts for close to 70% of DPR's funding, with a majority of the remaining funding coming from the General Fund.

The Administration's proposal establishes a new cap of 27 mills (one mill is equivalent to \$0.001 for each dollar of pesticide sold in the state) and allows the Director of DPR to adjust fee levels within that cap to fully fund the pesticide programs. Also, the Director would be given the authority to adjust licensing and examination fees to cover the costs of those programs. This increase will fully fund the pesticide program from the DBRF.

Two years ago, the Legislature sought a stable funding source for the program by establishing a committee of stakeholders, department officials, and legislative representatives to address the long term funding issues of the pesticide program. That report is expected to be released very soon.

DPR believes that increasing the mill assessment to fully fund the department is the long term funding solution for the program. DPR states the fee increase will have an insignificant impact upon agriculture industry while relieving the General Fund through the polluters pays principle. In light of the impending report and the condition of the General Fund, stable, non-General Fund revenues for this essential environmental health program is necessary to maintain funding levels for this important mandated activities. However, issues of the proper funding levels of the department, proper oversight of pesticide activities, and appropriate assessment levels will have to be addressed.

## **3940 State Water Resources Control Board**

The State Water Resources Control Board (SWRCB) regulates water quality in the state and administers water rights. The board carries out its water quality control responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or aboveground tanks, and (3) by administering state and federal loans and grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control boards establish water discharge requirements and carry out water pollution control programs in accordance with state board policies. The board's water rights responsibilities

involve issuing and reviewing permits and licenses to applicants who wish to appropriate water from the state's streams, rivers, and lakes.

The budget proposes total expenditures of \$739.4 million (\$73.2 million General Fund), a decrease of \$332.0 million (31 percent) from the current-year budget.

<b>Summary of Expenditures</b> (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
<b><i>State Operations</i></b>				
General Fund	\$73,212	\$44,633	-\$28,579	-39.0
Underground Storage Tank Cleanup Fund	250,467	242,038	-8,429	-3.4
Waste Discharge Permit Fund	32,174	45,905	13,731	42.7
Public Resources Account	2,125	2,120	-5	-0.2
Integrated Waste GMT Account	5,250	5,339	89	1.7
Federal Trust Fund	37,800	37,830	30	0.1
Reimbursements	9,933	9,933	0	0.0
Prop. 50 Bond Funds	125	2,342	2,217	1773.6
Other Bond Funds	4,537	5,799	1,262	27.8
Other Funds	32,774	25,206	-7,568	-23.1
<b><i>Subtotal</i></b>	<b>448,397</b>	<b>421,145</b>	<b>-27,252</b>	<b>-6.1</b>
			0	0.0
<b><i>Local Assistance</i></b>			0	0.0
General Fund	0	0	0	0.0
State Revolving Loan Subaccount	15,000	15,000	0	0.0
Small Communities Grant Subaccount	21,000	6,000	-15,000	-71.4
Water Recycling Subaccount	63,883	20,600	-43,283	-67.8
State Water Pollution Control Revolving Fund	96,000	96,000	0	0.0
Prop. 50 Bond Funds	30,375	112,488	82,113	270.3
Other Bond Funds	383,505	60,300	-323,205	-84.3
Loan Repayments/Less Funding from Various Accounts	(85,730)	(90,730)	(-5,000)	5.0
Other Funds	9,000	8,580	-420	-4.7
Federal Trust Fund	90,000	90,000	0	0.0
<b><i>Subtotal</i></b>	<b>623,033</b>	<b>318,238</b>	<b>-304,795</b>	<b>-48.9</b>
<b>Total</b>	<b>\$1,071,430</b>	<b>\$739,383</b>	<b>-\$332,047</b>	<b>-31.0</b>

### ***Highlights***

**Waste Discharge Permit Fees.** The Governor's budget proposes to fund shift \$13.6 million from the General Fund to the Waste Discharge Permit Fund by increasing waste discharge permit fees and stormwater discharge fees.

The Legislature recently approved this fee increase through AB 10X (Oropeza) during the Mid-Year Budget Revision process. This allows sufficient time for the SWRCB to develop and implement a new fee structure in time for FY 2003-04. However at the time of printing, the Governor had yet to sign AB 10X. If the Governor fails to sign the fee increase, the Legislature should consider proposing the fee increase in the budget year.

**Underground Storage Tank Cleanup Fund.** The budget proposes a loan of \$3.2 million from the Underground Storage Tank Cleanup Fund to the General Fund. Also proposed is a increase of \$15 million from the fund for reimbursements.

**Proposition 50 Bond Funds.** The budget proposes \$507.0 million from Proposition 50 bond funds for various program areas including water quality protection and improvement, watershed planning and implementation, coastal water protection and restoration, groundwater protection, and interregional water management. Of the \$507.0 million, \$450 million is appropriated directly to programs in SWRCB by Proposition 50, and \$57 million is the Water Board's request for unallocated funds in Proposition 50 for water recycling projects in the CALFED Bay-Delta Program.

### **Issues**

**General Fund Reductions to the Water Quality Program.** The budget proposes substantial reductions to the water quality monitoring activities. Water monitoring activities (particularly for groundwater quality) is a basic function of the Water Board, and is essential to permitting and enforcing water quality standards. A total of \$11.3 million in reductions to this program are as follows:

<b>Reductions to the Water Quality Program</b>		
(dollars in thousands)	2002- 2003	2003- 2004
<b><i>Program Title</i></b>		
Data Management	\$0	\$500
Salton Sea Restoration	350	350
Regional Wetlands Management Plan	15	15
Spills, Leaks, Investigations, and Cleanup	25	290
Chromium 6	0	462
Monitoring & Assessment Programs	831	6,802
Agricultural Waste Management	450	1,124
Water Quality Planning	0	570
Underground Storage Tanks	0	682
Nonpoint Source	0	89
CALFED	365	365
Training	63	0
Equipment	67	0
Out-of-State Travel	11	24
<b>Total</b>	<b>\$2,177</b>	<b>\$11,273</b>

The \$11.3 million in budget year reductions are proposed on top of the recently approved \$2.2 million in current year reductions. The Water Board has indicated that such reductions will substantially curtail their current water quality monitoring efforts.

Without proper monitoring abilities, the Water Board's permitting, investigation, enforcement, and cleanup activities will be significantly affected. Alternative revenue sources to the General Fund, such as the waste discharge permit fees (*see highlights above*), should be examined for long term funding stability for the Water Board's regulatory and monitoring activities.

**General Fund Reductions to the Water Rights Program.** The budget proposes substantial reductions to the water rights program. The Water Board's water rights program allows parties who wish to "appropriate" (*i.e.*, use for their own purposes) state waters to perfect their right to do so through board approval. These approvals are generally granted with conditions which protect the rights of other parties and the beneficial uses of water.

According to the Water Board, "Before the SWRCB can grant an appropriate water right permit, it must find that there exists in the source stream sufficient unappropriated water to support the possible project and it must assess the environmental impacts of the project. Funds are used to contract with private consultants to perform a water availability analysis that determines whether sufficient unappropriated water exists."

The budget proposes to reduce General Fund support of the Water Rights Program by \$3.3 million. This does not include the reductions this Legislature approved for the current year of \$610,000. These reductions combined represents a 34.8% reduction in water rights funding in activities such as processing of water rights applications, complaint investigations, adjudication, and enforcement. In FY 2000-01, the Legislative Analyst Office (LAO) identified significant backlogs in the review and issuances of water rights by the board. The Legislature over last few years has generally sought to improve the process for issuance of water rights.

The LAO also recommended to the Legislature funding to this program should be increased by instituting a "user pays" system whereby parties applying for water rights would pay a fee to cover the costs of the Water Board in evaluating and issuing a grant of water rights.

Currently, there is a nominal water rights application fee which does not cover the extensive costs of evaluating applications. Given the significant impacts on the environment, an increased fee structure, taking into consideration the significant differences between efforts necessary for evaluation of water rights applications, should be considered to preserve funding for this over-burdened program.

## 3960 Department of Toxic Substances Control

The Department of Toxic Substances Control's (DTSC) mission is to protect the public health and the environment from unsafe exposure to toxic substances. In so doing it (1) regulates hazardous waste management, (2) cleans up sites that have been contaminated by toxic substances, and (3) promotes methods to treat and safely dispose of hazardous wastes and reduce the amounts of hazardous wastes that are generated in the state. The department is primarily funded from fees and taxes assessed on persons that generate, store, treat, or dispose of hazardous wastes. The department is located in Sacramento.

The budget proposes total expenditures of \$159.0 million (\$20.1 million General Fund), a decrease of \$4.53 million (2.8 percent) from the current-year budget.

<b>Summary of Expenditures</b> (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	32,728	20,106	-\$12,622	-38.6
Hazardous Waste Control Account	41,026	46,991	5,965	14.5
Site Remediation Account	8,664	7,850	-814	-9.4
Unified Program Account	955	981	26	2.7
California Used Oil Recycling Fund	339	337	-2	-0.6
Hazardous Substance Accounts	6,873	5,539	-1,334	-19.4
Expedited Site Remediation Trust Fund	0	2,441	2,441	0.0
Toxic Substances Control Account	36,422	36,258	-164	-0.5
Federal Trust Fund	26,727	26,053	-674	-2.5
Other Funds	2,913	3,564	651	22.3
Reimbursements	6,925	8,921	1,996	28.8
<b>Total</b>	<b>\$163,572</b>	<b>\$159,041</b>	<b>-\$4,531</b>	<b>-2.8</b>

### 3980 Office of Environmental Health Hazard Assessment

This Office of Environmental Health Hazard Assessment (OEHHA) was created in 1991 as part of the California Environmental Protection Agency to evaluate the health risks of chemicals in the environment. OEHHA currently (1) develops and recommends health-based standards for chemicals in the environment, (2) develops policies and guidelines for conducting risk assessments, and (3) provides technical support for environmental regulatory agencies.

The budget proposes total expenditures of \$10.8 million (\$8.7 million General Fund), a decrease of \$4.2 million (28.1 percent) from the current-year budget.

<b>Summary of Expenditures</b> (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$12,004	\$8,707	-\$3,297	-27.5
Environmental Lic Plate Fund	775	800	25	3.2
Federal Trust Fund	20	0	-20	-100.0
Reimbursements	2,277	1,339	-938	-41.2
<b>Total</b>	<b>\$15,076</b>	<b>\$10,846</b>	<b>-\$4,230</b>	<b>-28.1</b>

#### Issues

**General Fund Reductions.** The Governor's budget proposes to reduce OEHHA's total budget by approximately 30%. This reductions will cause OEHHA to lay off 23 positions (25% of its workforce) of highly skilled individuals.

The department has stated, "With a significantly reduced workforce, OEHHA will not be able to meet its statutory mandates and deadlines in Proposition 65, fuels, indoor air, and SB 950, the Birth Defect Prevention Act programs." OEHHA will have to eliminate many activities like pesticide worker health and safety assessment, development of environmental indicators for Cal EPA, and the identification of future environmental problems and solutions. The Children's Health Program and the Worker Health Safety Program will not be eliminated, though progress will be slowed.

OEHHA plays a vital role of environmental protection by being the risk assessment arm of Cal EPA. Its work is integral to other boards, commissions, and departments within Cal EPA in providing the scientific expertise to identify environmental risks and solutions. Given the connection to several other Cal EPA programs, the Legislature should examine possible long term funding solutions by identifying the nexus between OEHHA's risk assessment efforts and those boards, departments, and commissions that benefit.

